

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2168 - HB 2833

February 13, 2022

SUMMARY OF BILL: Revises various aspects of the public charter school application process. Authorizes the Commissioner of the Department of Education (DOE) to establish a local education agency (LEA) authorizer facilities grant to provide grants to LEAs that provide facilities at no cost to public charter schools. Creates a state Public Charter School Debt Reserve Fund and a state public charter school interest savings account to be administered by DOE.

FISCAL IMPACT:

**Increase State Expenditures – Exceeds \$1,097,400/FY22-23
\$97,400/FY23-24 and Subsequent Years**

Increase Local Expenditures – \$28,000/FY22-23 and Subsequent Years

Other Fiscal Impact – Funds may shift from LEAs to public charter schools. The precise amount and timing of any such shift, if any, cannot be reasonably determined.

Assumptions:

- The LEA authorizer facilities grant will provide grants to LEAs that provide facilities at no cost to public charter schools. An LEA will be required to use the grant to acquire or improve property that is used to educate students.
- The proposed legislation will require all moneys in the Public Charter School Debt Reserve Fund (PCRFR) to be used to enhance the ability of any qualified public charter school that chooses to finance capital construction with revenues from bonds issued on behalf of the public charter school to obtain such financing on favorable terms.
- The PCRFR may be funded through appropriations, gifts, grants, and other donations. The extent of any funding from gifts, grants, and other donations is unknown.
- The Commissioner of DOE is authorized to issue authorizer facilities grants.
- This legislation does not specify an appropriation amount for the PCRFR or the facilities grants. It is reasonably estimated that an initial increase in state expenditures of at least \$1,000,000 will be required in FY22-23 for establishment of the PCRFR and grant funding.
- DOE will require one additional Education Consultant 3 position beginning in FY22-23 to develop and oversee the reserve fund and facilities grant.

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- There will be a recurring increase in state expenditures of \$97,378 [(\$77,568 salary + \$19,810 benefits) x 1 Education Consultant 3 position] in FY22-23 subsequent years.
- A total increase in state expenditures estimated to exceed \$1,097,378 in FY22-23 and \$97,378 in FY23-24 and subsequent years.
- The proposed legislation authorizes public charter schools to petition the Comptroller of the Treasury (COT) to audit the listing of underutilized or vacant properties submitted to DOE by the LEA.
- Public charter schools are located in Shelby, Davidson, Knox, and Hamilton Counties. It is estimated that at least one public charter school in each county will petition for an audit.
- These audits will be performed as part of a three-party contract between COT, a CPA firm, and a public charter school.
- This will result in a permissive increase in local expenditures of \$28,000 (\$7,000 per audit x 4 public charter school petitions).
- The proposed legislation authorizes a public charter school operating in the LEA to have a right of first refusal to lease for no cost or purchase for \$1.00 any underutilized or vacant property submitted by the LEA under this section.
- It is unknown how many LEAs will lease for no cost or purchase underutilized or vacant properties for \$1.00 and subsequently lose the market value that could have been recovered otherwise. This may result in an undetermined decrease in local revenue.
- If additional students attend public charter schools as a result of this legislation, there may be an undetermined shift in BEP funding from LEAs to public charter schools.
- Due to multiple unknown variables, the precise shift in BEP funding, if any, to public charter schools cannot be reasonably determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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